



JOHN NAIMO  
ACTING AUDITOR-CONTROLLER

## COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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August 11, 2014

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: John Naimo  
Acting Auditor-Controller

A handwritten signature in dark ink, reading "John Naimo", is written over the printed name and title.

SUBJECT: **PROJECT ANGEL FOOD – A DEPARTMENT OF PUBLIC HEALTH  
DIVISION OF HIV AND STD PROGRAMS PROVIDER – CONTRACT  
COMPLIANCE REVIEW**

We completed a contract compliance review of Project Angel Food (PAF or Agency), which included a sample of transactions from Contract Years (CYs) 2011-12 and 2012-13. The Department of Public Health Division of HIV and STD Programs (DHSP) contracts with PAF to provide Ryan White Comprehensive AIDS Resources Emergency Act nutrition support services, such as home-delivered meals and food bank services, to eligible individuals living with HIV/AIDS who are incapable of preparing nutritional meals.

The purpose of our review was to determine whether PAF provided the services outlined in their County contract and appropriately spent DHSP Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contract and other applicable guidelines.

At the time of our review, DHSP had one contract with PAF, and paid PAF approximately \$258,000 on a cost-reimbursement basis during CYs 2011-12 and 2012-13. PAF provides services to clients residing in all Supervisorial Districts.

### **Results of Review**

PAF maintained adequate documentation to support that services were provided to individuals who were eligible for DHSP services, and maintained personnel files for staff

performing services under their contract. However, the Agency did not always comply with County contract requirements. Specifically, PAF:

- Did not appropriately allocate expenditures to DHSP. The amount overbilled totaled \$17,838 for CYs 2011-12 and 2012-13. We noted similar findings in our prior monitoring review.

*PAF's attached response indicates that they will repay DHSP the \$17,838 in questioned costs, and their invoices will more accurately reflect actual costs.*

- Did not track expenditures by program or bill payroll expenditures to DHSP based on actual costs as required.

*PAF's response indicates that their invoices will more accurately reflect actual costs.*

- Did not maintain a Cost Allocation Plan (Plan) in compliance with Paragraph 9 of the County contract's Additional Provisions. For example, PAF's Plan did not describe methodologies to allocate their expenditures between programs.

*PAF's response indicates that they have adjusted their Plan to comply with their County contract.*

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with PAF and DHSP. PAF's attached response indicates they agree with our findings and recommendations.

We thank Agency management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:ku

Attachment

c: William T Fujioka, Chief Executive Officer  
Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health  
Robert Bauer, Board Chair, Project Angel Food  
Laurie Lang, Executive Director, Project Angel Food  
Public Information Office  
Audit Committee

**PROJECT ANGEL FOOD  
DIVISION OF HIV AND STD PROGRAMS  
CONTRACT COMPLIANCE REVIEW  
CONTRACT YEARS 2011-12 AND 2012-13**

**ELIGIBILITY**

**Objective**

Determine whether Project Angel Food (PAF or Agency) provided services to individuals who met the Department of Public Health Division of HIV and STD Programs (DHSP) Ryan White Comprehensive AIDS Resources Emergency Act (Ryan White) eligibility requirements.

**Verification**

We reviewed the case files for five (1%) of the 589 clients who received services from March 2011 through February 2013 for documentation to confirm their eligibility for Ryan White services.

**Results**

PAF had documentation to support the eligibility of the five clients reviewed.

**Recommendation**

**None.**

**PROGRAM SERVICES**

**Objective**

Determine whether PAF provided the services required by their County contract and DHSP guidelines, clients received the billed services, and the Agency collected fees from eligible clients in accordance with their County contract.

**Verification**

We visited one PAF service site, and reviewed the case files for five (1%) of the 589 clients who received services from March 2011 through February 2013. We also determined if the Agency collected fees from clients in accordance with the Agency's approved client fee schedule.

**Results**

PAF provided services in accordance with their County contract, and complied with their approved client fee schedule.

**Recommendation**

**None.**

**CASH/REVENUE****Objective**

Determine whether PAF properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were prepared and approved by Agency management.

**Verification**

We interviewed PAF management, and reviewed their financial records and March 2013 bank reconciliations for two bank accounts.

**Results**

PAF properly recorded revenue in their financial records and deposited DHSP cash receipts timely. However, the Agency did not maintain supporting documentation for reconciling items, resolve reconciling items timely, or document management approval on their bank reconciliations. Specifically, PAF did not:

- Provide documentation to support 15 (88%) of the 17 outstanding reconciling items, totaling \$82,753. Therefore, we could not determine whether the outstanding items were related to the DHSP contract.
- Resolve ten outstanding reconciling items, totaling \$4,636, timely. Specifically, the ten outstanding items on the bank reconciliation reviewed were over six months old.
- Ensure the preparer and the reviewer signed the bank reconciliations, as required. We noted a similar finding in our prior monitoring review.

**Recommendations****Project Angel Food management:**

1. **Maintain adequate documentation to support bank reconciliations, including reconciling items.**

2. **Ensure reconciling items are resolved timely and repay the Division of HIV and STD Programs for any unpaid Division of HIV and STD Program related reconciling items.**
3. **Ensure that bank reconciliations are signed by the preparer and the reviewer.**

## **EXPENDITURES**

### **Objective**

Determine whether expenditures charged to DHSP for Contract Years (CYs) 2011-12 and 2012-13 were allowable under their County contract, properly documented, accurately billed, and allocated according to its Cost Allocation Plan (Plan).

### **Verification**

We reviewed PAF's Plan and their financial records for nine non-payroll expenditures, totaling \$3,742, that the Agency charged to DHSP from February 2012 to February 2013.

### **Results**

The Agency did not maintain a Plan in compliance with Paragraph 9 of the County contract's Additional Provisions. For example, PAF's Plan did not identify the specific methodologies that PAF should use to allocate expenditures between programs.

In addition, we noted that the Agency did not track expenditures by program and did not allocate expenditures to DHSP using an acceptable allocation method. Specifically, the Agency billed 1/12th of the contract amount each month, not actual activity as required. PAF should ensure that expenditures are allocated appropriately and that separate financial records are maintained.

### **Recommendations**

#### **Project Angel Food management:**

4. **Develop a Cost Allocation Plan that specifies how costs will be allocated using equitable methodologies that comply with the County contract and applicable federal requirements.**
5. **Ensure that expenditures are allocated appropriately.**
6. **Bill the Division of HIV and STD Programs based on actual expenditures.**

7. **Maintain separate records for the Division of HIV and STD Programs expenditures.**

### **PAYROLL AND PERSONNEL**

#### **Objective**

Determine whether PAF appropriately charged payroll costs to DHSP, and maintained personnel files as required.

#### **Verification**

We compared the payroll costs for three employees, totaling \$2,184 for February 2013, to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for the same three staff. Based on the results of our initial review, we expanded our sample and tested an additional \$63,343 in payroll and employee benefit costs that the Agency billed to DHSP from March 2011 to February 2013.

#### **Results**

PAF appropriately maintained personnel files as required. However, the Agency did not charge payroll expenditures based on actual hours worked on the Ryan White program as required. In addition, the Agency did not charge payroll expenditures based on an appropriate allocation method. According to PAF, payroll expenditures should be allocated to DHSP based on the ratio of DHSP clients to total clients. However, the Agency allocated payroll expenditures based on the contract amount.

Using the ratio of DHSP clients to total clients, we recalculated the amount of payroll expenditures that should have been charged to the DHSP program. Our recalculation determined that PAF overbilled DHSP a total of \$17,838 for CYs 2011-12 and 2012-13.

#### **Recommendations**

**Refer to Recommendations 6 and 7.**

**Project Angel Food management:**

8. **Repay the Division of HIV and STD Programs \$17,838.**
9. **Ensure timecards indicate actual hours worked by program.**

**COST REPORTS**

**Objective**

Determine whether PAF's CYs 2011-12 and 2012-13 Cost Reports reconciled to their financial records.

**Verification**

We compared the Agency's CYs 2011-12 and 2012-13 Cost Reports to their financial records.

**Results**

PAF's CYs 2011-12 and 2012-13 Cost Reports did not reconcile to their financial records. As previously indicated, the Agency did not track expenditures by program and billed based on the contract amount, not actual activity as required.

**Recommendation**

**Refer to Recommendations 6 and 7.**



**PROJECT ANGEL FOOD**

June 30, 2014

John Naimo  
Acting Auditor-Controller  
County of Los Angeles  
500 W. Temple Street, Room 525  
Los Angeles, CA 90012-3873

**Written response/Corrective Action Plan-DHSP FY 2012-13-Project Angel Food**

Dear Mr. Naimo,

Herein please find Project Angel Food's written response/corrective action plan as well as specific timeframes for implementing the recommendations per the aforementioned audit.

**CASH/REVENUE**

**Recommendations:**

Project Angel Food management:

1. Maintain adequate documentation to support bank reconciliation, including reconciling items.
2. Ensure reconciling items are resolved timely and repay Division of HIV and STD Programs for any unpaid Division of HIV and STD Program related reconciling items.
3. Ensure bank reconciliations are signed by the preparer and the reviewer.

**Written response/corrective action plan:**

Management agrees. In 2013, Project Angel Food management hired outsourced accounting firm FMJ, LLP (FMJ) to recommend and implement corrective action steps in the accounting function. FMJ now provides all accounting services for PAF and per the contract ensures that:

- Bank reconciliations are prepared timely each month with all supporting documentation attached, and
- The preparer and the reviewer sign the bank reconciliation, as required.

These steps were implemented in May, 2013. As a result, PAF received an unmodified opinion from its external auditors Green, Hasson Janks on March 20, 2014 for fiscal year ended June 30, 2013. Additionally, there were no issues noted related to bank reconciliations in their management letter.

**EXPENDITURES**

**Recommendations:**

Project Angel Food management:

1. Develop a Cost Allocation Plan that specifies how costs will be allocated using equitable methodologies that comply with the County contract and applicable federal requirements.
2. Ensure that expenditures are allocated appropriately.
3. Bill expenditures based on actual data, not budgeted costs.
4. Maintain separate records for DHSP expenditures.



**Written response/corrective action plan:**

Management agrees. In July 2013 Project Angel Food management adjusted the cost allocation plan to specify how costs will be allocated using equitable methodologies that comply with the County contract and applicable federal requirements. The ratio of Ryan White clients to all clients (which is now approximately 18-20%) is well over the percentage of staff time charged to the contract (10.7%). PAF assigns enough personnel to the contract work each month to reach the contracted meal target (which is 81,912 meals over the contract year). Additionally, PAF is now using timecards to track time spent on the contract and elsewhere.

**PAYROLL AND PERSONNEL**

**Recommendation:**

Refer to Cash/Revenue and Expenditures Recommendations

Project Angel Food management:

1. Repay Division of HIV and STD Programs \$17,838.
2. Ensure timecards indicate actual hours worked by program.

**Management's Response:**

Management agrees. PAF will repay the \$17,838 and has adjusted its budget requests for the contract year 2014-5 and will continue to do so into the future. In addition, monthly invoicing and payroll timesheets will more accurately reflect actual costs associated with serving contracted Ryan White clients in the program beginning 3/1/2014.

**COST REPORTS**


**Recommendation:**

Refer to Cash/Revenue and Expenditures Recommendations

**Management's Response:**

See responses to Cash/Revenue and Expenditures Recommendations.

Sincerely,

  
Laurie Lang  
Executive Director